

Message Text

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ACTION ARA-10

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INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

USIA-06 AID-05 EB-07 CIEP-01 TRSE-00 STR-04 OMB-01

CEA-01 COME-00 FRB-03 XMB-02 OPIC-03 LAB-04 SIL-01

FEA-01 AGR-05 SAM-01 ERDA-05 FPC-01 OES-03 /128 W
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FM AMEMBASSY CARACAS

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INFO USMISSION OECD PARIS PRIORITY

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C O N F I D E N T I A L CARACAS 1546

E.O. 11652: GDS

TAGS: ENRG, CIEC

SUBJECT: VENEZUELA'S VIEWS ON CIEC

REF: STATE 20560

1. SUMMARY - THE GOV ATTACHES MAJOR IMPORTANCE TO THE CIEC AND WILL STRIVE TO SEE THAT SOME MEASURABLE RESULT IS ACCOMPLISHED. THE GOV WILL BE ESPECIALLY SENSITIVE TO EFFORTS TO REDUCE PETROLEUM PRICES AND TO ANY DISRUPTION OF LDC-OPEC UNITY. END SUMMARY.

2. VENEZUELA VIEWS THE CONFERENCE ON INTERNATIONAL ECONOMIC COOPERATION (CIEC) AS A UNIQUE EFFORT TO CURE MAJOR DEFECTS IN THE WORLD ECONOMY WHICH HAVE DENIED LDC'S A FAIR SHARE IN THE WORLD'S WEALTH. THE GOV BELIEVES THAT THE U.S. AND OTHER INDUSTRIALIZED NATIONS HAVE BEEN BROUGHT RELUCTANTLY TO THE CONFERENCE TABLE BY OPEC STRENGTH AND THE UNITED EFFORTS OF LDC'S TO FORCE THE INDUSTRIALIZED COUNTRIES TO HEED THEIR INSISTENT DEMANDS FOR A SERIOUS EFFORT TO ADDRESS THEIR PROBLEMS.

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3. THE GOV WILL TAKE THE CIEC VERY SERIOUSLY AND WILL STRIVE TO SEE THAT SOME MEASURABLE RESULT IS ACCOMPLISHED. THIS IS ESPECIALLY SO BECAUSE OF THE APPOINTMENT OF MANUEL PEREZ GUERRERO AS CONFERENCE CO-CHAIRMAN. THE GOV HAS ALSO APPOINTED SOME OF ITS BEST PEOPLE AS REPRESENTATIVES TO THE TWO COMMISSIONS ON WHICH IT WILL SIT (ENERGY AND RAW MATERIALS). THE GOV WILL PRESS HARD FOR CONCRETE RESULTS, BUT MAY ALSO BE EXPECTED TO EXERCISE A MODERATING INFLUENCE ON ANY RADICAL LDC'S WHO SEEK TO EXPLOIT THE CONFERENCE FOR SELFISH POLITICAL REASONS. VENEZUELA RECOGNIZES THAT THE U.S. AND OTHER MAJOR INDUSTRIALIZED NATIONS MUST UNDERSTAND AND SHARE THE ASPIRATIONS OF LDC'S IF REAL PROGRESS IS TO BE ACHIEVED.

4. AS A MAJOR OIL PRODUCER AND OPEC MEMBER, VENEZUELA WILL BE MORE VITALLY CONCERNED ABOUT THE ENERGY COMMISSION THAN THE OTHER THREE. HOWEVER, THE GOV WILL INSIST THAT ALL MAJOR PROBLEM AREAS BE ADDRESSED SIMULTANEOUSLY AND THAT PROGRESS BE MADE IN EACH AREA. LDC UNITY IS A VITAL CONCEPT TO THE GOV WHICH CAN ONLY BE MAINTAINED IF ALL LDC'S BELIEVE THEY WILL SHARE IN ANY BENEFITS DERIVED FROM THEIR JOINT ENTERPRISE.

5. ENERGY - WE SHOULD EXPECT THE GOV TO REACT FORCEFULLY TO OUR CASE FOR LOWER OIL PRICES. THIS WILL BE THE MOST SENSITIVE POINT IN THE CIEC AGENDA FOR VENEZUELAN OFFICIALS, WHO REACT WITH PAVLOVIAN REGULARITY TO COUNTER ANY SUGGESTION OF LOWER OIL PRICES. PRIVATELY SOME GOV OFFICIALS (INCLUDING PEREZ GUERRERO) WILL ADMIT THAT THE ABRUPT RISE IN OIL PRICES WAS HARMFUL TO THE WORLD ECONOMY, BUT NONE WILL ADMIT THAT CURRENT PRICES ARE TOO HIGH. RATHER, THEY CAN BE EXPECTED TO ARGUE THAT THE CURRENT PRICE LEVEL WILL BENEFIT THE WORLD ECONOMY BY CONSERVING SCARCE RESOURCES AND FORCING DEVELOPMENT OF ALTERNATIVE ENERGY SOURCES.

6. THE GOV FEELS EXTREMELY VULNERABLE ON THE ISSUE OF THE ADVERSE IMPACT OF OIL PRICES ON LDC BALANCE OF PAYMENTS. GOV REPS WILL DEFEND VENEZUELA ON THIS ISSUE BY SUPPORTING HIGHER PRICES FOR OTHER LDC EXPORTS, SUPPORTING A SIGNIFICANT INCREASE IN DC BALANCE OF PAYMENTS ASSISTANCE TO LDC'S, AND CITING THEIR OWN ASSISTANCE EFFORTS (NEARLY \$2 BILLION).

7. THE GOV HAS REPEATEDLY STRESSED ITS OWN RELIABILITY AS A
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PETROLEUM SUPPLIER AND ITS COMMITMENT NEVER TO USE OIL AS A POLITICAL WEAPON. PRESUMABLY, THE GOV WOULD BE AMENABLE TO SOME SORT OF SUPPLY COMMITMENT IF ACCOMPANIED BY A CORRESPONDING COMMITMENT ON ENERGY MARKETS.

8. VENEZUELA APPEARS TO BE VERY INTERESTED IN LONG-TERM COOPERATION ON ENERGY ISSUES, IN TRANSFER OF TECHNOLOGY FOR ENERGY DEVELOPMENT, AND IN SPECIFIC PROJECTS FOR ENERGY EXPLORATION AND DEVELOPMENT.

ONLY A FEW DAYS AGO THE GOV ANNOUNCED SEVERAL PILOT PROJECTS FOR DEVELOPMENT OF ITS HEAVY OIL BELT IN PARTNERSHIP WITH FOREIGN COMPANIES OR GOVERNMENTS; HOWEVER, THE GOV WISHES TO BECOME LESS DEPENDENT ON THE LARGE MULTINATIONAL OIL COMPANIES AND THE U.S. IN PURSUING SUCH DEVELOPMENT. THE GOV HAS NOT REACTED SPECIFICALLY TO THE PROPOSAL FOR ESTABLISHMENT OF AN INTERNATIONAL ENERGY INSTITUTE.

9. THE GOV'S POSITION ON INDEXATION OF OIL PRICES IS SOMEWHAT AMBIGUOUS. GOV REPS WILL PROBABLY SUPPORT THE EFFORTS OF IRAN AND OTHER OPEC MEMBERS TO OBTAIN SOME FORM OF INDEXATION, BUT PRESIDENT PEREZ HAS ON AT LEAST ONE OCCASION QUESTIONED THE VALUE OF INDEXATION OF COMMODITY PRICES IN GENERAL BECAUSE OF ITS INFLATIONARY IMPACT.

10. RAW MATERIALS - AS INDICATED ABOVE, VENEZUELA IS LIKELY TO PRESS HARD FOR MEASURABLE PROGRESS IN THIS COMMISSION IN ORDER TO MAINTAIN OPEC - LDC UNITY. GIVEN THE OVERRIDING IMPORTANCE OF OIL FOR THE VENEZUELAN ECONOMY, THE GOV WOULD EXPECT TO BENEFIT DIRECTLY ONLY marginally FROM ANY PROGRESS ACHIEVED.

11. THE GOV IS LIKELY TO SUPPORT THE ESTABLISHMENT OF PRODUCER/CONSUMER FORUMS FOR KEY COMMODITIES, BUT WILL INSIST ON OVERALL POLICY GUIDANCE AND SOME FORM OF LINKAGE AMONG THE FORUMS. AT THE SAME TIME, THE GOV IS LIKELY TO GIVE AT LEAST LIP SERVICE TO THE FORMATION OF EXCLUSIVE PRODUCER ASSOCIATIONS THROUGH SELA AND OTHER MEANS.

12. THE GOV PROBABLY WILL NOT TAKE THE LEAD IN THE RAW MATERIALS COMMISSION ON SPECIFIC ISSUES; HOWEVER, GOV REPS ARE LIKELY TO GIVE SOLID BACKING TO ANY PROPOSALS WHICH APPEAR TO RECEIVE GENERAL SUPPORT AMONG LDC'S.

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